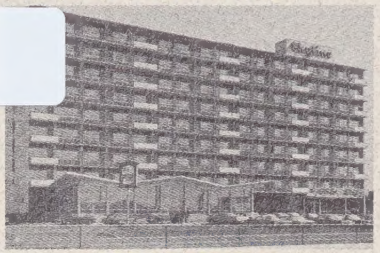
SKYLINE

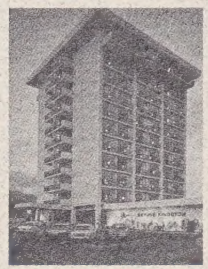
The Canadian Chain
La chaîne canadienne

AR21

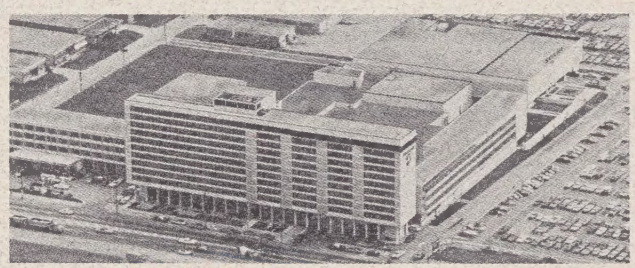


SKYLINE MONTREAL

SKYLINE OTTAWA



SKYLINE KINGSTON, JAMAICA



SKYLINE TORONTO

SKYLINE HEATHROW, LONDON, ENGLAND

SKYLINE PARK TOWER
LONDON, ENGLAND

SKYLINE BROCKVILLE

SKYLINE HOTELS LIMITED

AND SUBSIDIARIES

OPERATING RESULTS

FIRST HALF REPORT

SKYLINE HOTELS LIMITED AND SUBSIDIARIES

THE PRESIDENT'S REPORT TO THE SHAREHOLDERS

I am pleased to submit to you the results of your company for the first six months of 1972.

After a slow start in the first quarter of this year we have made up in the second quarter so as to bring ourselves right up to forecast. Sales amounted to $11,903,111 against $8,195,452 for an increase of 45.24%. Your earnings before extraordinary item amounted to $334,922 against $277,137 for an increase of 20.85%, or amounting to 30¢ per share against 25¢ per share for the same period in 1971. Your company made in extraordinary profit on foreign exchange an amount of $92,693, and after allowing for deferred taxes in the amount of $22,500, had an extraordinary profit of $70,193 which gave you a total earnings of $405,115 for the six months, or a per share profit of 36¢ against 25¢. The cash flow of the company increased substantially during the period amounting to $1,250,237 against $904,420 in the previous like period. This amounts to $1.12 per share against $.81 per share.

Since my last report to you at the Annual Meeting we have joined in a closer working relationship with Capital & Counties Property Company Limited, of England. They have obtained approximately twenty percent of the issued stock of our company and I in turn have acquired holdings in their company. I have joined their Board of Directors and it is intended in the near future to recommend the appointment to our Board of Directors, representatives of Capital & Counties. This Property company has substantial holdings in hotels throughout Europe, Australia and Bermuda and I look forward to many years of close working relationship between our companies.

Your management at this time is working on three new locations which will all be management contracts, or in one case, may involve a nominal investment. Upon agreement being reached on these properties we will certainly inform our shareholders immediately. It is anticipated that at least two of these will be finalized before the year end.

I am looking forward to continued progress during the balance of this year and the outlook for our company for the future is steady and sound growth.

May I thank you for your continued confidence.

W. R. HODGSON
President

OPERATING RESULTS FIRST HALF

FIRST HALF EARNINGS

	1972	1971
Revenue	$11,903,111	$8,195,452
Cost of Sales and Operating Expenses	10,111,397	6,912,010
Earnings Before the Undernoted Items	$ 1,791,714	$1,283,442
Interest Income	35,132	43,779
	$ 1,826,846	$1,327,221
Interest on Long Term Debt	$ 662,070	$ 401,415
Other Interest	45,250	16,426
Depreciation and Amortization	562,635	408,243
	$ 1,269,955	$ 826,084
Earnings Before Income Taxes	$ 556,891	$ 501,137
Income Taxes Payable	—	—
Earnings After Current Income Taxes Payable	$ 556,891	$ 501,137
Deferred Income Taxes	241,385	224,000
Earnings Before Minority Interests and Extraordinary Item	$ 315,506	$ 277,137
Minority Interest in Loss of Subsidiary	19,416	—
Earnings before Extraordinary Item	$ 334,922	$ 277,137
Gain on Foreign Exchange (Net after $22,500 Deferred Income Taxes)	70,193	
Net Earnings	$ 405,115	$ 277,137
Earnings Per Share		
— Before Extraordinary Item	30¢	25¢
— After Extraordinary Item	36¢	25¢

FIRST HALF SOURCE AND APPLICATION OF FUNDS

SOURCE OF FUNDS	1972	1971
Net Earnings for the Period	$ 405,115	$ 277,137
Add Charges not Requiring Outlay of Funds		
Depreciation and Amortization	562,635	385,913
Amortization of Financing Costs	18,602	17,370
Deferred Income Taxes	263,885	224,000
Funds from Operations	$ 1,250,237	$ 904,420
Proceeds of Issue of Long-Term Debt	13,444,554	5,570,562
	$14,694,791	$6,474,982
APPLICATION OF FUNDS		
Fixed Asset Additions (Net)	$ 1,039,446	$2,040,328
Long-Term Debt Repayments		
Normal Amortization	360,985	271,884
Refinancing	11,419,724	3,910,133
Hotel Opening and Establishment Costs	46,994	5,258
Financing Costs	256,558	13,659
Sundry	3,304	—
	$13,127,007	$6,241,262
Increase in Working Capital (exclusive of long-term debt due within one year)	$ 1,567,784	$ 233,720
Funds from Operations Per Share	$ 1.12	$ .81